Testimony
of
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Good morning, Madam Chairwoman and Commissioners. ISG is pleased to report to the Commission that the steel tariff program has been working to remarkable effect. Our company, Cleveland-based International Steel Group, was created through the consolidation of three bankrupt domestic steel companies—LTV, Acme Steel and Bethlehem Steel. Today, ISG-- working in cooperation with the United Steelworkers of America-- is in the process of restructuring these assets into one of the lowest cost producers of steel in the world.

The crisis-remediation mechanism of the Section 201 tariffs effectively created a period of stable prices by reducing from the market persistent and destructive surges of imports. ISG used the market-stabilizing impact of the 201 tariffs to invest $1.5 billion of new capital into the restructuring of its assets, negotiate a groundbreaking new labor contract in partnership with the leadership of the USWA and increase the productivity rate of the former facilities by 100% versus the old mode of operating.

In December, 2001, the steelworks of the former LTV Steel Company closed down, the third major sheet steel producer to go idle in 2001. The others being Trico Steel and Acme. In total these plants represented approximately 13.6 million tons of US sheet capacity or 20% of the domestic sheet market in the prior year.

After the shutdown of LTV's operations it must be noted that steel prices immediately began to recover with a 33% rebound in prices—from $209 per ton for hot rolled sheet to about $279 per ton in the months leading up to the announcement of the tariffs. It must also be noted that the supply-constrained conditions caused by the elimination of so much steel capacity lasted exactly up until the time that ISG successfully restarted approximately 7 million tons of annualized production at the former LTV facilities. The restoration of much of the idled US capacity, which resulted in the alleviation of customers fears about continued lack of domestic supply, led to prices which are much lower today than a year ago, after the tariffs were announced. The subsequent restart of Trico Steel by Nucor and Acme Steel by ISG, both state-of-the-art plants, brought back an additional 3.7 million tons of efficient, low cost sheet availability to the market.

To say that the tariffs have not been beneficial to steel consumers is completely at odds with the many "thank you's" we have received from the customers of the formerly idled LTV and Acme Steel who have operations within a 500-mile radius of Cleveland or Chicago. Many of these customers would be out of existence today had it not been for the restart of the ISG plants.

The claim that customers have been adversely effected by the tariffs is also inconsistent with the many phone calls we received from major original equipment manufacturers prior to our acquisition of Bethlehem Steel encouraging us— almost pleading with us—to successfully conclude our negotiations with Bethlehem and not allow these facilities to go dark. We have not heard any complaints about the tariffs from our customers, who all know what the tariffs have meant to the start-up of ISG and our development of a new operating model.

US steel prices are not the problem. All of America's manufacturers have a common problem—and that is China, which offers blank checks to state companies and so-called entrepreneurs to build industrial plants without regard to worldwide supply/demand imbalances or the need to earn an adequate return on capital or to even repay their debts. As China exports deflation this problem impacts every industry worldwide.

ISG has confidence that the President will stick to his word and not remove the tariffs pre-maturely after we made a one and a half billion dollar bet on restructuring Bethlehem Steel, which will occur over the next 18 months. Our plan of restructuring anticipates necessary market protections against import surges during this period, most importantly the Administration's addressing of excess foreign capacity, which leads to the periodic flood of imports sold at distressed prices.

While we and other US producers have begun the process of consolidating and restructuring the domestic steel industry, no one could ever expect it to happen within 18 months. The Administration has reasonably laid out a three-year program of temporary tariffs. These tariffs must be kept in place to allow us to finish the consolidation process, which will result in a globally competitive steel industry and a reliable source of low-cost material to the nation's manufacturing sector.

Thank you